The World Bank Position on the Report of the World Commission on Dams

Dams are important contributors to the development of many countries. They improve and expand power generation, irrigation, and domestic and industrial water supplies, and provide security against droughts and protection from floods. At the same time, they often submerge substantial areas and change the pattern of river flows downstream, causing, in some cases, significant adverse impacts on the environment and local communities.

The WCD has produced a carefully prepared and well-written Report which has stimulated a wide-ranging and productive discussion of many of the most difficult issues facing developing countries and agencies who work with these countries. The process used by the WCD in preparation of the Report facilitated an unprecedented dialogue between all parties. The Report makes a substantial contribution to addressing the wide-ranging issues surrounding large dams. It presents innovative ideas for dams to contribute more dependably to sustainable development. The World Bank has disseminated the WCD Report widely among its shareholders, and continues to participate in and benefit from the ongoing discussion.

The Report of the WCD advocates:

- Five core values—equity, efficiency, participation, sustainability and accountability—for future decision-making on dams;
- A rights and risks approach for identifying stakeholders in negotiating development choices and agreements;
- Seven strategic priorities—gaining public acceptance, assessing options, addressing existing dams, sustaining rivers and livelihoods, recognizing entitlements and sharing benefits, ensuring compliance, and sharing rivers for peace, development and security; and
- A set of criteria for assessing compliance and twenty-six guidelines for review and approval of projects at five stages of decision-making.

World Bank staff have reviewed the Report thoroughly, and have consulted widely with its Executive Directors, with governments themselves, with non-governmental organizations, with other international financing institutions, and with private financiers and developers. In common with virtually all those consulted, the World Bank shares the WCD core values and concurs with the need to promote the seven strategic priorities.

The focus of much controversy regarding the WCD Report has centered on the twenty-six “guidelines,” which have been interpreted by some proponents and critics of the Report as a proposed new set of binding standards. The World Bank’s conclusion on the guidelines is best summarized by the Chair of the WCD, who has explained that “our guidelines offer guidance – not a regulatory framework. They are not laws to be obeyed rigidly…. They are guidelines with a small ‘g’.” Individual governments and/or private sector developers may wish to test the application of some of the WCD guidelines in the context of specific projects. In such cases, the World Bank will work with the government and developer on applying the relevant guidelines in a practical, efficient and timely manner.

Support for Strategic Planning, and a Dams Planning and Management Action Plan

The World Bank supports its many borrowers that want to continue to learn and improve practice—planning, technical, economic, environmental, and social—in construction and operation of dams. Consistent with the WCD recommendations, the World Bank will support strategic plan-
ning processes conducted by borrowers to enhance the evaluation of options and alternatives for energy and water management. The World Bank will also support borrowers in financing sound priority investments emerging from such processes, and will continue to apply its existing policies to these and other projects.

As part of this process, the World Bank has initiated a “Dams Planning and Management Action Plan” to strengthen its work in the water and energy sectors and to improve the evaluation, implementation, and operation of dams when they are the appropriate development option. The Action Plan comprises activities in six complementary areas:

- Working with borrowers to move “upstream”, so that all energy, water supply and flood and drought protection options are assessed;
- Continuing to emphasize institutional reform for more efficient use of water and energy;
- Effectively implementing the World Bank’s existing safeguard policies;
- Continuing to support borrowers in improving the performance of existing dams;
- Practicing a proactive and development-oriented approach to international waters; and
- Continuing to support innovative approaches and capacity building for dealing with complex dam-related management and technical issues.

World Bank Policies

In reviewing the WCD Report, the World Bank has paid particular attention to the sections which are relevant to World Bank operational policies. In broad outline: there are no major differences regarding the World Bank’s operational policies on environmental assessment, natural habitats, safety of dams or cultural property; there are limited issues regarding projects on international waterways; there are some issues related to involuntary resettlement and indigenous peoples; and the WCD Report proposes a different framework for project preparation. The following sections outline the differences between the recommendations of the WCD and current World Bank operational policies, and the position of the World Bank regarding the recommendations.

On the Project Preparation and Consultation Process. The WCD Report recommends a multi-stage process including the following steps: the location, scope and design of the project is determined based on an agreement by all stakeholders; a stakeholder forum assesses alternatives for the detailed layout of the dam; cumulative and interactive aspects of existing infrastructure on the river are addressed in the design of the dam through an agreement reached with the stakeholders and operators; final design includes provisions for emergency preparedness and decommissioning; mitigation, resettlement, monitoring and development plans are agreed with affected groups and signed as “contracts” with them; performance bonds are secured, trust funds established and integrity pacts signed before project implementation starts; and licensing to construct and operate the dam is conditional on satisfactory implementation of agreed mitigation and development plans.

The World Bank remains committed to implementation of its operational policies to ensure that: key stakeholders are systematically identified and involved in project planning and implementation; upstream meaningful consultations are held with affected groups to guide project decision making, and their views and preferences are reflected in the plans developed as an integral part of
the project. The implementation of mitigation and development plans is funded as an integral part of the project budget and regularly monitored, both by the Borrower and the World Bank. The World Bank notes that in both developed and developing countries the State has the right to make decisions that it regards as being in the best interest of the community as a whole, and to determine the use of natural resources based on national priorities.

On Involuntary Resettlement. The WCD Report recommends that: all adversely affected people negotiate formal and legally enforceable mitigation plans (in cases where negotiations stall, an independent dispute resolution process is required); any outstanding resettlement issues associated with existing large dams on the same river be identified and remedied before new infrastructure is built; adversely affected people be recognized as first among the beneficiaries of the project, and mutually agreed and legally protected benefit sharing mechanisms negotiated to ensure implementation; a clear agreement with the affected people be reached on the sequence and stages of resettlement before construction on any project preparatory works begins; compliance plans be enforced through independent review; and the license to construct and operate the dam include conditions related to successful completion of resettlement, mitigation and development plans.

The World Bank’s resettlement policy is built on the principle of informed participation of the affected people in resettlement planning and implementation, but does not require the negotiation of development and mitigation plans. This approach ensures that affected people are assisted in their efforts to improve, or at least restore, their standards of living, in a manner that is consistent with their cultural preferences, while retaining the rights of the State to exercise eminent domain for the larger public interest as appropriate in the circumstances. The World Bank has been and remains committed to seeing that thorough baseline studies are conducted to identify affected people and the extent of impacts. Its operational policies require that affected people are provided opportunities to participate in resettlement planning and implementation, and draft plans are disclosed in the project area to obtain the views of affected people before they are finalized. Implementation of the agreed mitigation and development plans is reflected in the legal agreements between the World Bank and the Borrower. Resettlement implementation is monitored by the Borrower and the World Bank, and “independent panels” are increasingly engaged in projects with major resettlement impacts. The recently approved World Bank operational policy on involuntary resettlement also requires an early review of resettlement implementation to use the lessons learned for subsequent implementation. World Bank-financed projects are not considered complete until agreed plans are fully implemented, and follow-up surveys are conducted at project completion to document the extent to which the incomes and standards of living of affected people have been restored. The findings of these surveys form the basis of discussion on follow-up measures, as necessary, with the Borrower. A chapter of the forthcoming World Bank resettlement sourcebook will describe good-practice elements of reservoir resettlement, drawing on, among other sources, the extensive knowledge base compiled by the WCD.

In the past the World Bank has, when requested by the Borrower, supported actions to resolve outstanding resettlement (and other social and environmental) issues from past projects. The World Bank is also willing to assist borrowers in developing their national, regional or sectoral social and environmental policies and legal frameworks.

Indigenous Peoples. The WCD Report proposes that indigenous and tribal peoples should give their free, prior and informed consent to the project.

The World Bank requires that free and meaningful consultations with directly affected indigenous groups be undertaken prior to the initiation of detailed project preparation, and the draft operational policy on indigenous peoples requires that the World Bank and the Borrower take into account the results of such consultations in deciding whether to proceed with the project. Where
the World Bank decides to proceed with project processing, mechanisms are established to ensure the informed participation of indigenous peoples in project preparation and implementation. If indigenous peoples are likely to be adversely affected by the project, the Borrower is required to conduct a social assessment to help assess the scope and extent of adverse impacts, and to discuss proposals to avoid, or minimize and mitigate them. Indigenous Peoples Development Plans are prepared to help mitigate adverse impacts and to promote tailoring of benefits based on the preferences of the people concerned. Such plans are reflected in the legal agreements between the Borrower and the World Bank. The World Bank is thus dedicated to ensuring that the views of the affected people are carefully documented and taken into account by project decision makers, without infringing on the right of the State to make decisions which it judges to be the best solution for the community as a whole.

**Projects on International Waterways.** The WCD recommends that where a government agency plans or facilitates the construction of a dam on a shared river in contravention of the principle of good faith negotiations between riparians, external financing bodies withdraw their support for projects and programs promoted by that agency.

The scope of the World Bank’s policy for projects on international waterways is not as broad as the recommendation of the WCD in this regard. Except in specified circumstances, the World Bank policy does not allow financing of a project on an international waterway until all the riparians are notified of the project, and have voiced no objection. If there is an objection from one of the riparians, then World Bank staff assess and confirm that the project will not cause appreciable harm to the interests of the other riparians. The World Bank may in appropriate cases appoint one or more independent experts to examine the project details and submit a technical opinion thereon. However, the World Bank considers a blanket prohibition on work with an agency that has built a dam in contravention of good faith negotiations to be too broad and to foreclose many opportunities for productive collaboration. The World Bank has been and remains committed, in accordance with the main objective of its operational policy on projects on international waterways, to taking a proactive role in supporting riparians to make appropriate agreements or arrangements for sharing and managing the entire waterway or any part thereof.

**Summary**

The World Bank considers the WCD Report to be a major contribution in defining the issues associated with large infrastructure in developing countries, and in engaging a wide variety of stakeholders in the debate. The World Bank is committed to continued support for its borrowers in developing and managing priority hydraulic infrastructure in an environmentally and socially sustainable manner, and views the WCD Report as a significant point of reference in this process. The World Bank intends to continue to work with its borrowers in effective implementation of current World Bank operational policies, which the WCD describes as “…the most sophisticated set of policies, operational procedures and guidelines amongst the international donor community.”